

Permanent Supportive Housing LIHTC Investments



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an affiliate of LISC

Trends in PSH – 2008-2013

- FY2008 to FY 2012 – 43% increase in Targeted Homeless Programs (\$4.062 Billion).
- From 2010 to 2013: 24% drop in vet homelessness (58K); 16% decline in chronic homelessness; 6% decline overall
- Overall homelessness: 610,000+ nationally
- **Sharp Decreases Soft Fed Capital/Level funding Rent Subsidy funds:**
 - HOME cut 45% betw. FY2010 and FY 2014 (from \$1.82B to \$1B); more cuts projected in FY 2015
 - HEARTH 5% cut in 2013, virtually no new rent subsidy funding



To Continue to Build PSH – Need to be Efficient with Resources & Creative

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Business Issues of Blending Rent Subsidies & LIHTC \$\$ & Hard Debt

- **Challenges of Section 8 and VASH**

- 15-year contracts subject to “annual appropriations”

- ***Time mismatches*** between capital funding requirements, rental assistance and service funding

- 15-year tax credit partnership life, shorter term rent subsidy contracts; annual service funding

Underwriting Challenges in PSH

Subsidy Underwriting:

- **“Subject to annual appropriations”**
Projects need Transition reserves to cover rent subsidy allocation risk, not just contract term risk.
- Investors leery that the **FMR premium over LIHTC** rents will be in place for 15-years to amortize hard debt ; equity not secured by property
- More focus on QAP and Lender(s) required **income, rent, & targeting restrictions**, and “what if” scenarios
- Is **service provision** a loan, LIHTC or only subsidy requirement? Under what conditions?

Underwriting Challenges

Various capital funding sources have different rent & income restrictions.

- Always look at what is most restrictive on allowable income and rent; what if subsidy not renewed?
- Always look at what the target population's income realistically will be to establish post-Section 8 rents affordable to that population
 - A typical dual diagnosed mentally-ill, chemically dependent, homeless, HIV/AIDS person or a TANF family is not typically going to be at 50% of AMI

How Funders Assist SH Underwriting & Minimize Transition Reserves

- Give relief by waiving deep targeting if rent subsidies are cancelled or not renewed due to no fault of the developer
- Allow Delayed Equity Pay-ins to boost equity raise to fund reserves
- If soft loans amortizing, have documents allow extension of amortization period or suspended payments if subsidies cancelled by HUD for budget reasons

CA – Villas at Gower

“Escape Clause” PB Waiver Granted

Transition Scenario – S8 Expires:

MHP-Supportive Housing Loan Program

Amended regulatory agreement to allow:

- rental increase to extent necessary to maintain project feasibility (max. 50% AMI),
and
- a population and service provision waiver.

CA-MHP SH Loan Program

Rent Waiver:

“If the Project-based rental assistance is terminated, Rents for Units may be increased above the levels allowed but only to minimum extent required for Fiscal Integrity, as determined by the Department. In addition Rents for such Units..shall not..be increased to an amount in excess of 30% of 50% of AMI..”

CA-MHP SH Loan Program

Targeting Population Waiver:

“Should the Department determine that rent increases pursuant to the paragraph directly above make retaining the originally targeted tenant population infeasible, the Dept. will allow changes in the target population to the minimum extent necessary to accommodate the new rent levels. In such an event the Dept will also allow changes to the services plan to reflect any change in the target population.”

Services in LIHTC- PSH

Health Care Services

- Medical (Meds mgmt; preventive)
- Assisted Living
- Dental

Mental Health Services

- Meds mgmt
- Psych/Behaviorial

Resident Services Coordinator (RSC)

Security –

- resident mgr unit (night time);
- part-time security contract;
- 24 hr security

Case Management

“Traditional Services” Funding

RSC, Security: In Operating Budget – Cash flow

- Strategies: Reduced Hard Debt; PB Rent Subs; Equity-funded Social Services Reserve

Case Mgmt: Fed & State Contracts

- Strategies: HEARTH, HOPWA, VA (sometimes subcontract to VSOs), State General Funds, County (MHSA, DHS), Private Fundraising

Health/Mental Health Services

Affordable Care Act: New Opportunities

- Medicaid billable
- Managed Care Models being tested some states
- Care Coordination – Dual eligible (Medicaid/Medicare)
- Negotiate Rates
- Tracking Quality Measures thru electronic means to show preventing hospital readmits

Social Impact Bonds (SIBs)

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